

TESTIMONY PRESENTED TO THE TRANSPORTATION COMMITTEE
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Testimony Regarding S.J.No. 23

**RESOLUTION PROPOSING AN AMENDMENT TO THE STATE CONSTITUTION LIMITING
THE USE OF MONEYS CONTAINED IN THE SPECIAL TRANSPORTATION FUND**

Senator Maynard, Representative Guerrero and distinguished members of the Transportation Committee, thank you for the opportunity to offer testimony on S.J. No. 23 RESOLUTION PROPOSING AN AMENDMENT TO THE STATE CONSTITUTION LIMITING THE USE OF MONEYS CONTAINED IN THE SPECIAL TRANSPORTATION FUND.

This resolution would propose a constitutional amendment that would prohibit transfers from the Special Transportation Fund (STF.)

I can appreciate the concern with regard to the perceived transfers from the Special Transportation Fund, and Governor Malloy has made it clear that he does not intend to utilize any further transfers from the resources of the Special Transportation Fund.

In this testimony I will outline different components of the Governor's history with the STF as well as his plan going forward.

Petroleum Products Gross Receipts Tax (PPGRT)

Transfer of the Petroleum Products Gross Receipts taxes are outlined in statute to the STF and must represent all motor fuels related collections. According to the tax department, this is approximately 90% of total collections. However, it has only been since FY 2004 that a portion of those receipts have been transferred to the STF. Beginning in the FY 2014 adopted budget that approximate 90% requirement led to an increase in the amount of the transfer from \$199.4 million in FY 2013 to \$380.7 million in FY 2014, and maintains a comparable level going forward.

The Petroleum Products Gross Receipts Tax (PPGRT) was created in 1980 as a windfall profits tax on oil companies and was deposited into the General Fund, not the STF which did not exist at that time. Overtime the use of the money has significantly changed and almost all of it now goes into transportation related purposes. Approximately 90% of the revenue generated by the tax is from motor fuels – that roughly matches the portion of PPGRT revenue that now goes into the STF.

Beginning in FY 2010, a portion of the PPGRT is transferred to the STF in the form of a General Fund subsidy. Under current statute \$172.8 million was to be transferred to the STF from the General Fund in FY 2014. In the years the state has spent recovering from the Great Recession, this transfer to the STF was reduced in order to maintain resources in the General Fund. So what has been misconstrued as a transfer out of the STF was more of a case that the STF was not receiving as much as previously intended.

With all transfer activity taken into account, the General Fund transfers a net of \$304 million to the STF in FY 2014 and \$381.2 million in FY 2015, **the largest net transfer in the STF's history.**

In spite of the adjustment that had been made to address the severity of the Great Recession, the Governor has taken bold and consistent steps in maintaining the transportation system in the state as well as advancing the network of infrastructure.

Capital funding

With regard to the capital budget, the Administration continues to provide capital resources as projects become available. **Projects have not been put on hold or delayed due to changes made to the capital program and the STF debt service requirement has not become a burden to balance the fund.**

Total capital fund allocations to the STF are as follows:

- \$680.8 million in FY 2012,
- \$701.7 million in FY 2013 and
- We anticipate that FY 2014 will remain consistent with historical allocations amounts which are based on estimates of DOT's needs. The Governor's Midterm Adjustments proposal provides additional funding in order to accelerate the preparation and design of projects in DOT's pipeline.

Overall agency appropriations

The DOT's overall agency appropriation, excluding the Town Aid Road line, which was appropriated in some years and bonded in others, has increased an average of 3.07% a fiscal year.

During the Governor's tenure, more specifically in the FY 2012-2013 Biennium Budget, the "Pay-As-You-Go" (PAYGO) account was established. The PAYGO account augments the Capital Transportation Infrastructure Program by funding non-bondable transportation projects that support the maintenance of the state's roads and bridges.

- The federal match for *eligible* projects is 80% and the state funds the remaining 20%.
- The account was established in FY 2012 by transferring a \$13,718,098 appropriation from the Highway and Bridge Renewal account to the then newly-created PAYGO account and adding \$14,000,000 to the account for a total of \$27,718,098 in FY 2012.
- This increase represents a 102.1% increase. The amount has fluctuated since then and the account statutorily does not lapse. These funds cover non-bondable resurfacing costs, liquid surface treatment, pavement crack repair, line striping, bridge inspection operations, bridge joint repair and painting, and major maintenance operations.

Summary

The Department of Transportation has been able to meet all its obligations under each budget prepared by the Malloy administration, and lapsed and/or carried forward funding. In spite of the various severe winters the state has experienced and the unfortunate events experienced in the Metro-North rail system, the DOT has been able to find the resources within its agency appropriation to cover the unexpected costs of those storms.

The Governor and my office will continue to work with DOT to make sure that a coordinated effort is made to address all issues within budget and without compromising our commitment to a world-class, 21st century transportation system.

I would like to again thank the committee for the opportunity to present this testimony.